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UNITED STATES DEPARTMENT OF AGRICULTURE

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34th HOUSEKEEPERS' CHAT — Wednesday, May 9, 1934.

(FOR BROADCAST USE ONLY)

Subject: "Who Pays the Processing Taxes?" Information from the Consumers' Guide issued by the Consumers' Counsel of the Agricultural Adjustment Administration

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Time was when we women sat quietly at our sewing and made no remarks when the menfolks began to talk about taxes and public expenditures and so on. Those were the days when women "knew their place." And their place was in the home. That included mind and body. The general opinion was that women should be experts in the little household matters but that the larger problems which concerned the whole country were for men to handle.

Well, times change. Nowadays women do most of the spending of the family income. They are the chief buyers for the household. And they have to understand public as well as private affairs if they are to manage their homes wisely. So, recently, many women, especially those living on farms, have been asking for more information on the new tax they've been hearing so much about -- the processing tax.

And no wonder. For this is something quite different in the tax line. You may not know whether you've been paying this tax, but one thing is certain -- there's no mystery about how it is spent. Except for a small amount used for administrative expenses -- running expenses, so to speak -- all of this tax goes to the farmer. All told, during this year 1934 farmers are expected to receive 855 million dollars from this tax, and 831 million in 1935.

Now this money isn't just handed out to farmers willy-nilly. Every farmer producing certain important crops can get some of it, but naturally he has to do something to earn it. To earn a share in the money a farmer must agree -- and live up to his agreement -- to adjust his production. The aim is to revive farmer buying power -- increase farmer demand for factory products, thus creating jobs for city people, and speeding recovery.

To raise the money for these benefit payments to farmers, the government collects the processing tax from the people or companies who do the first processing of the farm products -- the cotton spinner, for example, and the miller, and the packer. The tax took its name from these people. And they pay the money to the Treasury Department and the Treasury pays it out to the farmers who cooperate in adjusting production.

Although the processing tax is collected from processors, that does not necessarily mean that they don't try to get it from someone else. Processors have three ways of getting funds for paying the tax: One, by charging higher prices to consumers; two, by paying lower prices to farmers; three, by taking it out of their own pockets. Naturally, if they can use the first or second method they won't dig into their own pockets.

Three important processing taxes are now in effect. The first one -- the wheat processing tax -- was imposed last July. It amounts to thirty cents on a bushel of wheat. In August the cotton processing tax went into effect. That amounts to four and a fifth cents on a pound of raw cotton. The tax on hogs started in November at fifty cents per hundredweight of live hog and had increased to two dollars and twenty-five cents this March.

Who is actually paying these taxes? That's one of the questions that agricultural experts have been studying closely these past weeks. Naturally, it takes time for the effects of the new taxes to work out, and for prices and production to come to a new balance so we can know the ultimate effects of the taxes. But there are almost always certain immediate effects, though these may be only temporary.

On the basis of facts which are known, certain important conclusions stand out.

The first one is that processors generally have made a large enough increase in the margins between what they pay for the raw materials and what they charge for their products to cover fully the taxes. In other words, the taxes have not generally come out of processors' pockets. There are some exceptions. For example, it's pretty certain that packers paid part of the processing tax on hogs during the first part of February and most of March.

Second conclusion. Consumers are apparently paying the taxes on wheat and cotton in the form of higher prices for bread, flour and cotton goods. That seems to have reduced consumption of wheat products not at all, and of cotton goods only slightly if at all.

Third conclusion. Retail prices of pork were not increased by the tax on hogs until after the first of February. Prices to hog producers for a while remained low during the period of heavy winter marketing. By February, the shorter supply of hogs, due to the pig slaughter last fall, began to raise farmers' prices and increased purchasing power showed in higher retail prices.

Fourth conclusion. Farmers who have cooperated in the 1933-34 production program will have a much greater income as a result of both the reduction of crops and the processing tax.

Finally, this added income will increase farmers' purchasing power. When they buy more goods there will be more jobs for city workmen who make the goods. Thus the processing tax contributes to recovery.

But what you want to know especially is how much you pay in processing taxes as your contribution to farm recovery and thus to national recovery.

Well, let's get the tax figures on some of the common articles that most housewives buy frequently. On an average one-pound loaf of bread, you pay half a cent extra as a result of the processing tax on wheat. As a result of the tax on cotton, you pay 3 and 4/10 cents on an ordinary cotton house dress; 3 and 1/2 cents on a work shirt for your husband; and 8 and 3/10 cents on a pair of overalls.

You will also pay 1 and 1/10 cents on an ordinary cotton face towel, 18 by 36 inches in size, and 7 and 6/10 cents on a large-size cotton bed sheet.

I can't give you sample figures like this for pork products, because the effects of the tax are not yet analyzed.

However, the important thing to remember about the processing tax is that it is only one of the many cost items on bread, cotton goods, and pork. Don't let a retailer blame all of any large increase in the retail price of these goods on the processing tax. And remember, also, say Agricultural Adjustment Administration officers, that the tax makes possible the agricultural recovery that must precede general recovery.

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